

Message Text

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ORIGIN ARA-20

INFO OCT-01 EUR-25 ISO-00 EB-11 FEA-02 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01

USIA-15 /193 R

DRAFTED BY ARA/NC:FJDEVINE:NLF

APPROVED BY ARA - MR. SHLAUDEMANN

EB/ORF/FSE-MR. CREEKMORE (DRAFT)

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R 100024Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L STATE 148195

E.O. 11652: GDS

TAGS:ENRG, VE

SUBJECT: EXPRESSION OF USG CONCERN OVER HIGH OIL PRICES

REF: STATE 145991

BRUSSELS FOR MARKS PASS KATZ

1. ON JULY 8 DEPUTY ASSISTANT SECRETARY SHLAUDEMANN AND OTHER DEPT OFFICERS RECEIVED VENEZUELAN CHARGE FELIX ROSSI. ALONG LINES SET FORTH IN TALKING POINTS CONTAINED PARA 3 REFTEL, SHLAUDEMANN EXPRESSED USG CONCERN OVER HIGH OIL PRICES AND RECENT GOV ACTION TO RAISE AVERAGE TRV BY APPROXIMATELY 35CENTS.

2. ROSSI TOOK NOTE OF USG CONCERN AND ATTEMPTED DEPICT LATEST PRICE RISE AS HAVING MINIMAL IMPACT ON US ECONOMY. POINTED OUT THAT LIGHT OILS IN QUESTION GO PRINCIPALLY TO
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OTHER MARKETS. EXPLAINED TRV INCREASE ON GROUNDS THAT OIL

COMPANIES' "TRANSFER PRICE" ON OILS COMING FROM MIDDLE EAST HAD GONE UP THUS PLACING PRESSURE ON GOV TO INSURE THAT ITS COMPARABLE OILS ARRIVING AT EASTERN SEABOARD OF US NOT BE PRICED APPRECIABLY LOWER. SHLAUDEMAN OBSERVED THAT THIS APPROACH IMPLIED ENDLESS UPWARD SPIRAL IN OIL PRICES.

3. SHLAUDEMAN EMPHASIZED DAMAGE AND RISK BEING OCCASIONED GENERAL WORLD ECONOMY BY SHARPLY ELEVATED PRICE OF OIL. WHILE RECOGNIZING ARGUMENT THAT OIL MAY HAVE BEEN UNDERPRICED IN THE PAST, HE URGED AGAINST OVER-COMPENSATION OR TRYING REDRESS THIS BALANCE TOO ABRUPTLY.

4. PRINCIPAL POINTS EMPHASIZED, AND WHICH ROSSI PROMISED CONVEY TO GOV, WERE OUR SERIOUS CONCERN OVER UNDULY HIGH OIL PRICES, OUR BELIEF THAT GOV FURTHER INCREASE OF TRV IS STEP IN WRONG DIRECTION, AND HIGHLY NEGATIVE IMPACT WHICH THIS HAS ON PUBLIC, PRESS, AND CONGRESSIONAL ATTITUDES IN U.S. KISSINGER

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